

A CAHNERS PUBLICATION

NOVEMBER 1991

graphic arts

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THE MAGAZINE

...and a lot more to all readers
...and a lot more to all readers

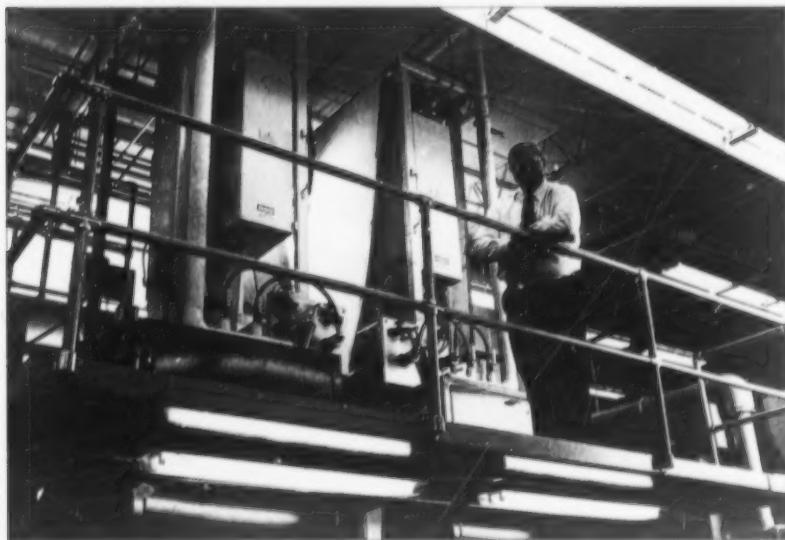
In-Line Finishing In Newest Systems, Computers Conquer Makeready Delays

Also: Quantum Leap for Sheetfeds • Catalog Market Matures

graphic arts monthly

THE MAGAZINE OF THE PRINTING INDUSTRY

FEATURES



Computers Beat In-Line Delays

Web in-line finishing advances have opened up entirely new print design possibilities.

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Sheetfed Takes Quantum Leap

By Noel Jeffrey

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A previously difficult, time-consuming, expensive, and off-site operation is finally brought on-line.

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Catalogs: A Mature Market

By Lisa Cross

Once explosive growth has leveled off, largely due to increased postal rates and a bad economy.

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On The Cover: Photographed by Gary Sigmund. Black Star, at new Berlin Industries printing plant in Carol Stream, Ill.

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graphic arts monthly

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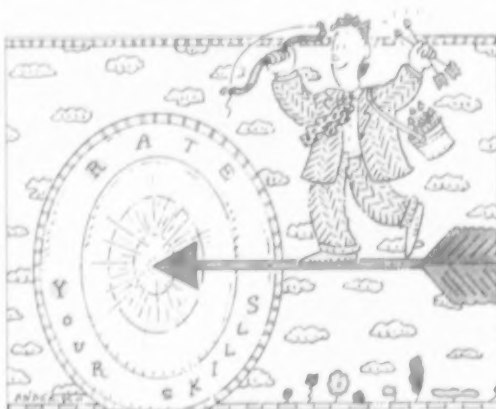
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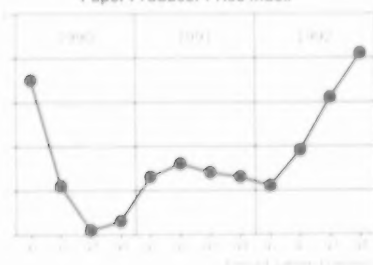
A Turnaround in Paper Production

Paper Shipments



Paper Prices Remain Favorable

Paper Producer Price Index



Paper production, although well below year-ago levels, has shown signs of turning around toward the positive end of the spectrum by the end of the year. July posted the first monthly year-over-year gain so far in 1991. Total production reached 3.34 million tons, up 1.7% above July 1990. Most of this gain stemmed from a pickup in the printing and writing paper segment. The American Paper Institute reports that seasonally adjusted shipments of printing-writing papers increased to the record-high levels established in late-1990. In particular, shipments of uncoated free sheet papers have made gains, as the demand for bond paper increases. The outlook is for flat production by year-end, totalling just 39 million tons. Expected increases are for 5.1% in 1992 (to total 41 million tons) and 1.3% in 1993, to over 41.5 million tons.

The prevailing weakness in the paper processing industry means continued price benefits for printers. Earlier this year, paper producers acted on hopes of a pickup in economic activity which never materialized. Beefed-up production levels were met by low levels of demand from the end markets. Faced with building inventories, paper manufacturers have kept prices low to stimulate demand. The producer price index posted its sixth consecutive monthly decline in August, to stand 2.7% below the year-ago level. Typically, paper price inflation gains momentum when capacity utilization passes the 90% mark. Right now, paper capacity utilization stands at 85% and will not reach the 90% range for at least another year. Our paper price forecast calls for a 0.4% rise in 1991, a 3.1% gain in 1992, and a 5% increase in 1993. [For more information on paper market trends, see the Paper column in this issue, on p. 110.]

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PAPER INDUSTRY INDICATORS

Shipments (1)	Annual % Change					
	02/90	01/91	02/91	1990	1991	1992
Coated paper	1763	1768	1714	8.9	8.1	7.1
Uncoated top sheet	1205	1195	1181	10.4	9.7	1.7
Uncoated free sheet	1000	1000	1000	11	11	11
Transaction Prices (2)						
Newsprint, 48% free	\$1.45	\$1.45	\$1.45	1.0	1.0	1.7
Free sheet, uncoated						
groundwood, 25 lb., wide	75.1	77.1	78.1	11.0	11.0	11.0
super, uncoated, unground	80.1	80.1	80.1	11.0	11.0	11.0
groundwood, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0
Other uncoated, groundwood	80.1	80.1	80.1	11.0	11.0	11.0
Coated, 48% free, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0
Coated, 48% free, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0
Coated, 48% free, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0
Coated, 48% free, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0
Coated, 48% free, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0
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Coated, 48% free, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0
Coated, 48% free, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0
Coated, 48% free, 25 lb.	80.1	80.1	80.1	11.0	11.0	11.0

(1) This sample of short tons, American Paper Institute (200 million per ton). For pricing magazine's Transaction Pricing Service. All forecasts by Publishers Economics.

In the second quarter of 1991, transaction prices of most paper grades dropped even further, as measured by *Purchasing* magazine's transaction pricing service. For many paper grades, this represents a full year of price reductions. This month's datatable highlights paper prices by grade and shows our latest forecasts. Paper prices will begin to turn-around by the end of this year. Forecasts for 1992 show paper prices heading back up but still won't reach the high levels seen in 1989.

Catalogs: A Mature Market

Many of them come to your doorstep, some anxiously awaited, others uninvited and unwanted. But even these often find a berth on a shelf or table in your house. Every household and office in the United States has received these printed items at least once. They are catalogs, offering a wide array of products and services to be purchased by both consumer and business markets.

As a printing market segment, catalogs experienced high single- and double-digit growth in the 1980s. Catalog print orders catapulted when the home-shopping third-class direct-mail catalog became a viable alternative for those consumers who lack time to get out to the stores. New catalogers entered the field, and the number of catalogs published rose from 5.8 billion in 1980 to 13.6 billion in 1990.

However, this once-explosive growth has begun to level off largely due to increased postal rates, a bad economy, the Persian Gulf War, and a maturing of the catalog market.

"We have definitely been affected by the recession in that we've had a lot of growth, but we're just not growing as fast as we used to," explains Joe Ar-

riola, chief executive officer, Avanti Press, Miami, Fla.

Once-explosive growth has leveled off, largely due to increased postal rates and a bad economy.

Catalog suppliers, in turn, have responded by expanding services and discovering ways to cut clients' costs.

"We're becoming a lot more involved, from the creativity right through the delivery to home," observes Terry Tevis, chief executive officer, American Signature Graphics, Memphis, Tenn.

In the last decade, catalogs evolved from the Sears all-purpose, everything-in-one-book, 600-page catalog, to focused 32-, 64-, and 96-page catalogs aimed at consumers identified by demographics as potential buyers.

"These specifically focused catalogs led to a huge growth year-to-year throughout the '80s as big catalogers focused on various market segments, and new entrepreneurs entered the field," recalls Tevis.

If growth best describes the last 10 years, then what do catalog printers envision for the '90s? They describe 1991 as a

year of readjustment; some predict it will be flat, but most still believe the '90s hold promise, but won't reflect the last 10 years.

"We anticipate some growth in 1992, but it will tend to be slow, probably similar to GNP growth," reports Ed Davis, product specialist at R.R. Donnelley & Sons Catalog Group, Chicago.

Jim Fogg, president, Banta Catalog and Commercial Groups, Menasha, Wis., notes: "Catalogers have had somewhat of a downturn this year, but it is a coming market. You've got more two-person family earners looking for a more convenient, less time-consuming way to shop."

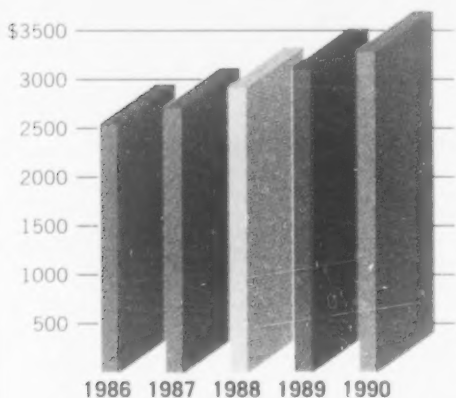
Adds Rod Barbera, vice president of marketing, web division, Perry Printing, Waterloo, Wis., "1991 was a year of readjustment. We did see some growth among certain segments of the catalog market, rather than overall growth. We expect slight-to-modest growth in 1992."

As printers for merchandis-

By Lisa Cross
Associate Editor

Catalogs

1990 Print Sales: \$3,284 (millions) *



(* in millions)

Major Printers—Catalogs

Rank	Company	Sales in millions*
1	R.R. Donnelley & Sons Co.	875.0
2	Ringier America, Inc.	210.0
3	American Signature	140.0
4	QuadGraphics, Inc.	125.0
5	Quebecor Printing (USA)	120.0
6	Banta Corporation	108.0
7	Brown Printing Company	105.0
8	Alden Press, Inc.	100.0
9	Continental Graphics Holdings	60.0
	Graphic Arts Center	60.0

*Note: Preliminary Ranking. e = estimate. Source: PrintMarket.

zip codes, up from 250. By law, alternate delivery companies may not leave deliveries in the mail box.

"This last postal rate increase has definitely had a dramatic effect on our business. Clearly, we are now a cost effective alternative," reports Bernstein.

Increases in postal rates have given printers the chance to increase value-added services aimed at reducing the customers' distribution costs. Even before the postal rate hike, printers started to place dramatic emphasis on the binding and mailing of the final product.

Observes Tevis, "A catalog

printer is no longer just a printer; a catalog printer is a distributor that happens to print catalogs. We must find ways to minimize any kind of postal increase."

To slash clients' postal costs, most major catalog printers have the ability to drop ship and co-mail catalogs—different companies' catalogs combined in the same mailing line.

Drop shipping simply means the catalogs are shipped to the postal center closest to where the catalogs are to be distributed, rather than the post office picking them up at the printer's dock. Postal discounts are given for sharing the work with U.S. Postal System.

By comailing similar sized, noncompeting catalogs, a publisher can qualify for discounts based on an increase in volume.

"The printer now has to be involved much earlier in the catalog production process. We don't just worry about getting film in so we can get on press and then to the bindery. We now consider how and when it is going to be shipped and the various cost advantages and disadvantages," explains Tevis.

The postal increase has also forced catalogers to look for better ways to optimize their mailings. Catalogs targeted to select groups and personalized with ink jet messaging and addressing are now the norm. Printers have made investments in developing demographic binding. Demographic binding offers the ability to have multiple catalog versions in a single-catalog run. Theoretically, catalog publishers can save money with demographic binding because they can send fewer copies but get a higher response and larger order sizes if their targeting is successful.

In addition to investments in the back-end, another area in the catalog production process where printers are embracing

new technology and expanding services is in prepress.

To save time, control costs, and gain more control over the finished product, a number of catalog publishers are creating their catalogs on the desktop.

"In the '70s we said, 'Give us film and we'll go to press.' In the '90s we're saying 'Give us a disc, we'll run it through our desktop application,'" explains Tevis.

Adds Barbera, "Some clients are sending work in on discs, while others are working with separators to swap high- and low-resolution color files."

Much has changed for the catalog printer in the attempt to satisfy customer needs. So what will it take to make the grade in the 1990s? Printers point to the following:

- "You must understand your customer," explains Harold Foster, executive vice president, Metro Seliger Industries, Inc., Woodside, N.Y. "We never sold printing per se, we sold what it can do for you."

- "Printers must be flexible, offer cost savings, and have a good understanding of their customers, as what they are producing is critical to the client's business," says Scheiber.

- "Ours is a rapidly changing business, and printers must have the ability to invest in new technology and equipment where it will benefit their customers," notes Davis.

- "Catalog printers have to understand customer needs, and then develop a manufacturing expertise to meet those expectations," observes Tevis.

No doubt about it: today's catalog printer must work harder to get an order. The bottom line is being able to understand the client and identify opportunities for value-added services. After all, it's the printer's catalog of services that will gain and retain the publishers' business. ■

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The Lone Star Shines Above

It is a little hard not to feel sorry for Louisiana, Arkansas, and Oklahoma as you look at the West South Central region; like the newly emerging Baltic states, they are caught in the orbit of a prodigiously oversized neighbor. In fact, there is a folk saying in another nearby state that neatly captures their predicament: "Poor New Mexico," it goes. "So far from Heaven; so near to Texas."

Not, we hasten to add, that there's anything inherently dreadful about Texas; it's just that there's so much of it. In the West South Central region it has 60% of the land, 62% of the people, 69% of the printing sites, and almost 73% of the printing volume. And, as they say in Oklahoma, 100% of the —.

But never mind that. In any case, speaking in very round numbers, Texas is responsible for about 70% of the economic activity in this region, with a roughly equal division among the others. Texas has the sixth-largest commercial printing volume of the states, after California, New York, Illinois, Pennsylvania, and Ohio, according to Printing Industries of America.

Like those states, it has

become primarily urban, as has the entire region. Oklahoma City, Tulsa, New Orleans, Little Rock, Lake Charles, Fort Worth, Austin, San Antonio, and Dallas are all substantial cities, and Houston has become a sprawling metropolis—the fourth-largest city in the U.S.

Economically the region seems to be in pretty good shape, particularly when compared to New England or the Mid-Atlantic. It was hit very hard by a downturn in oil prices in the early 1980s, followed by what amounted to a general collapse of the region's financial infrastructure.

(The series of events that nearly brought down Continental Illinois Bank began in Oklahoma, and the subsequent savings-and-loan debacle saw its fullest and most luxuriant flowering in Texas.) Since then, the old oil-and-agriculture mainstays have

given way to a much more diversified regional economy, which, as noted, appears to be fairly healthy.

Judging from the responses of our readers surveyed in the area, the printing industry is sharing in this state of health. Almost 78% of them reported an increase in business from 1989 to 1990; of those, more than half had increases greater than 10%. Of those reporting a decrease, better than two-thirds had a dropoff of less than 10%.

Profitability also seems to be on the rise; 58% of respondents showed margins above 5% for 1990, versus 38% for the year before. The same pattern is reflected in reported capacity usage; respondents operating at 80% capacity or greater: 47% in 1989, 68% in 1990.

Optimism runs high here; in our Perception Index, more than 46% said they thought business was up—the highest reading in the country. (National average: about 28%.)

This detachable form contains an industry profile, a close look at commercial printing, demographic data, and listings of leading printers.

Reprints of this installation may be ordered from Cathy Dionne, Cahners Publishing, Reprint Department, 1350 E. Touhy Ave., Des Plaines, IL 60018.



Jean Wiesenbaugh

By Peter Johnston
Special Projects Manager

Regional Overview

Commercial printing contributes nearly \$6 billion annually to the region's economy, making it an important source of employment opportunity, capital generation, and tax revenue. Of 3,194 printing sites, more than

2,000—i.e., 69%—are in Texas. Louisiana and Oklahoma tie for second place, followed by Arkansas. Revenue figures given in the charts are in constant dollars. Real industry growth from 1989 to 1990 was around 4%.

COMMERCIAL PRINTING

Value of Shipments

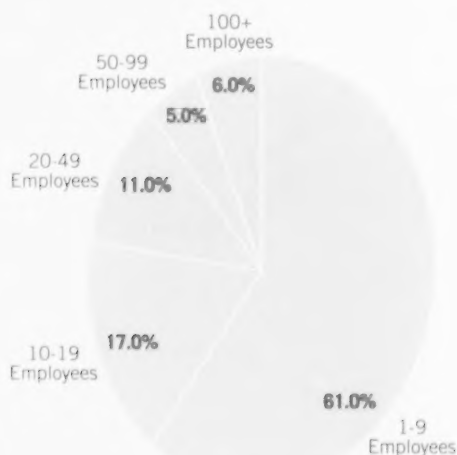
State	Sales, 1990 (\$ million)	% of Region	Sales, 1989 (\$ million)	% change (1989-1990)
Texas	\$4,056	72.7%	\$3,800	6.7%
Louisiana	536	9.6%	489	9.6%
Oklahoma	518	9.3%	482	7.5%
Arkansas	468	8.4%	432	8.3%
TOTAL	\$5,578	100%	\$5,203	7.2%

Printing Sites

State	Sites
Texas	2,219
Oklahoma	418
Louisiana	372
Arkansas	185
TOTAL	3,194

Source: PIA Economics Department

All Graphic Arts Plants, by Employee Count



Source: GAM 1990 Plant Equipment Market Profile

Charts and graphs by Lisa Hilgers

All Graphic Arts Plants, by Function

Function	# of Plants
Commercial	1,952
Newspaper (w/Commercial)	121
Newspaper (w/o Commercial)	150
Book & Pub	144
Business Forms	70
Converters	80
Noncommercial	455
Trade	175
Quick Printers	304

Source: GAM 1990 Plant Equipment Market Profile

DEMOGRAPHICS

During 1980-86, there was much migration to the region, primarily to Texas. Although the local economy has had its ups and downs, this trend toward population increase seems to be continuing. Note the disparity in education levels, particularly in college graduates.

Population

State	Population	Rank
Texas	16,685,000	3
Louisiana	4,501,000	18
Oklahoma	3,305,000	25
Arkansas	2,372,000	33
TOTAL	26,863,000	

Population Changes

State	Change (1980-86)	Net Migration
Texas	17.3%	1,331,000
Oklahoma	9.2%	120,000
Louisiana	7.0%	8,000
Arkansas	3.8%	10,000

Educational Attainment

State	High School Graduates	College Graduates
U.S. Average	66.5%	16.2%
Oklahoma	66.0%	15.1%
Texas	62.6%	16.9%
Louisiana	57.7%	13.9%
Arkansas	55.5%	10.8%

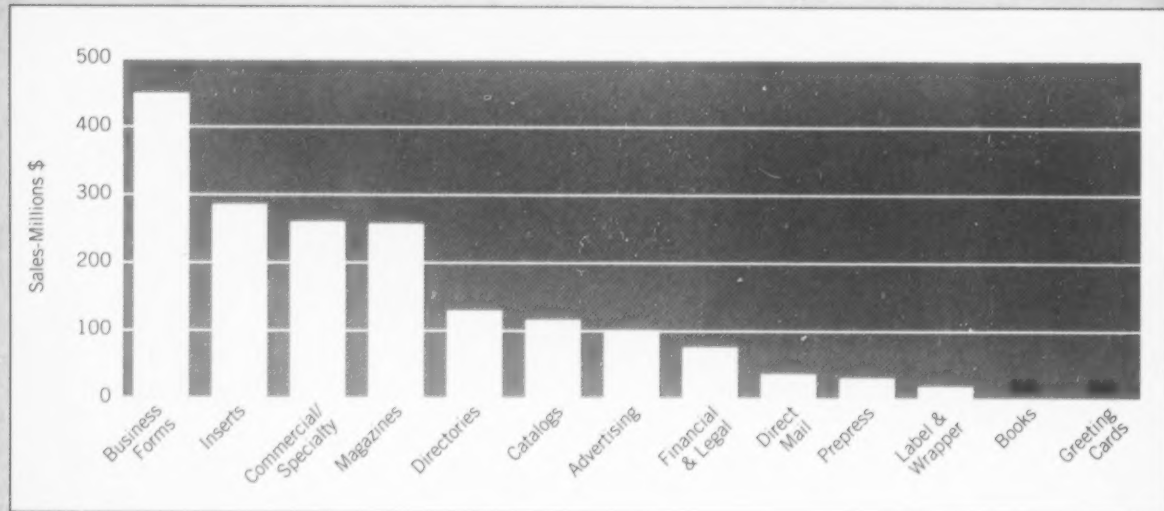
Source: U.S. Department of Commerce, Bureau of the Census

Market Profile

Ranking of Product Segments . . .

This ranking is taken from a database composed mainly of larger plants in the region (companies employing 20 or more workers), with a preponderance of very large sites. The dominance of business forms is partly attributable to the presence of Ennis Business Forms in Texas, which ac-

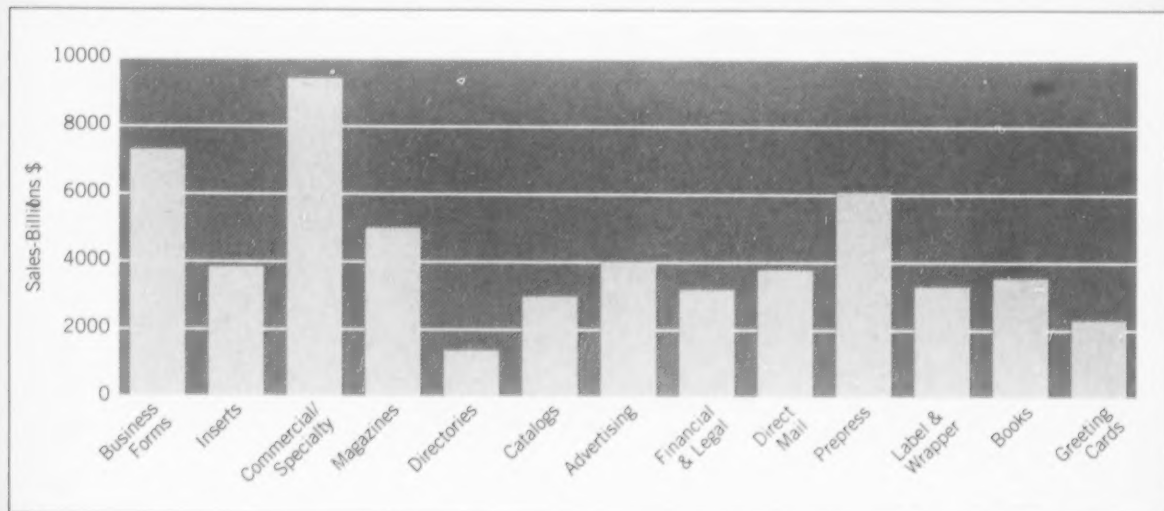
counts for more than a quarter of the volume shown; this situation occurs occasionally in other regions. Prepress, ranked third nationally, is tenth in the region, suggesting the presence of large divisions of multi-site firms printing materials whose front-end work was done elsewhere.



. . . Compared to National Totals

These bar charts are presented in similar order to simplify comparison between segment concentration in the West South Central region and the U.S. as a whole. Note that though they are ordered somewhat differently, the largest segments (except prepress) track each other fairly

closely. There are, however, some other disparities; greeting cards and book printing generate so little activity in the West South Central region as not to show up on the chart at all. Also, catalogs and directories rank low in national standings, but the segments appear toward the center in this region.



Leading Printers in the Region

ARKANSAS

Creative Printing, Little Rock
Democrat Ptg & Litho, Little Rock
International Graphics, Little Rock
Ringier America, Inc., Jonesboro
Weidon Williams & Lick, Inc., Fort Smith

LOUISIANA

Castle Multiforms, Inc., Shreveport

Century Graphics Corporation, Metairie
Harvey Press, Inc., New Orleans

OKLAHOMA

Central States Business Forms, Dewey
Colorgraphics, Tulsa
Norick Brothers, Inc., Oklahoma City
Oklahoma Graphics, Oklahoma City

PennWell Printing Company, Tulsa
World Color Press, Inc., Stillwater

TEXAS

Adplex, Inc., Houston
All-States Business Products, Carrollton
American Printers, San Antonio
American Signature Graphics, Dallas

Bennett Printing, Dallas
Blanks Engraving Company, Dallas
Bowater Computer Forms, Inc., Plano
Clarke American, San Antonio
Ennis Business Forms, Inc., Ennis
GBP Industries, Lufkin
Graphic Arts, Ft. Worth
Greater Houston Publishers, Houston
GTE Directories Corporation, DFW Airport

Gulf Printing Company, Houston
Hart Graphics, Inc., Austin
Heritage Press, Inc., Dallas
Horticultural Printers, Inc., Mesquite
Hurst Printing, Dallas
The Lehigh Press, Inc., Dallas
The Lehigh Press, Inc., Carrollton
FL. Motheral Printing, Ft. Worth
MPI Label Systems, Grand Prairie

Newspaper Enterprises Inc., Dallas
Nortex Press, Wichita Falls
Optigraphics Corporation, Grand Prairie
The Printing Center, Fort Worth
Quebecor USA, Dallas
Retail Graphics Printing, Dallas
The Riverside Press, Inc., Dallas
Royal Business Forms, Inc., Arlington
Royer & Schutts, Fort Worth

Taylor Publishing Co., Dallas
Texas Stock Tab, Coppell
Treasure Chest Advertising, San Antonio
Treasure Chest Advertising, Grand Prairie
Wetmore & Company, Houston
Williamson Printing, Dallas
Wilson Engraving Company, Inc., Dallas

Sources: Graphic Arts Monthly, Trade & Technology Press

How Printers Are Doing

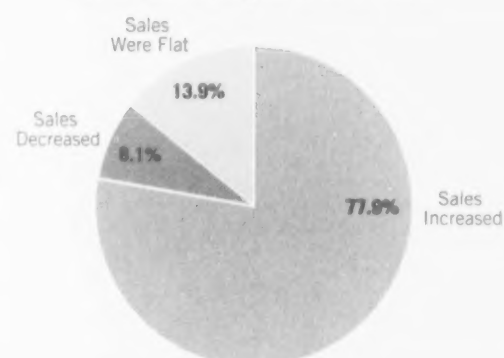
Based on a survey of firms in the region, conducted by Cahners Publishing

Profile of Respondents

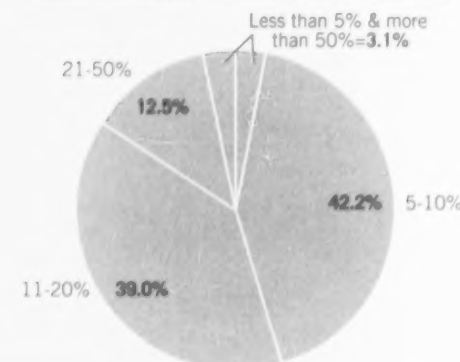
Commercial printers in the West South Central region responding to a recent mail survey reported year-over-year changes in their annual sales, profitability, and operating capacity. They also revealed how they perceived the outlook for business in their area. The following information is as reported by survey respondents; 1990 gross sales were estimated.

Gross Sales in 1990		# of Employees	
Less than \$500,000	9.2%	1-4	0%
\$500,000-749,999	21.8%	5-9	13.0%
\$750,000-999,999	12.6%	10-19	39.5%
\$1 million-2,499,999	20.7%	20-49	24.4%
\$2,500,000-4,999,999	13.8%	50-99	17.4%
\$5,000,000-9,999,999	19.5%	100+	4.6%
\$10 million or more	2.3%		

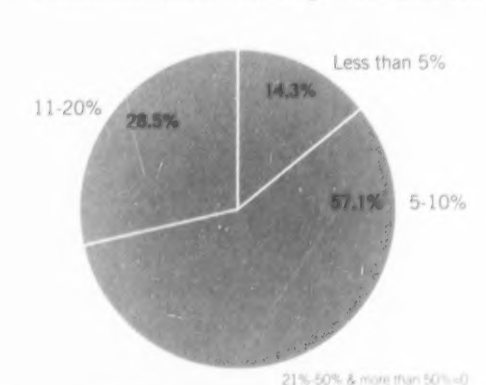
How Sales Changed, 1989 to 1990



If Sales Increased, How Large Was Increase?

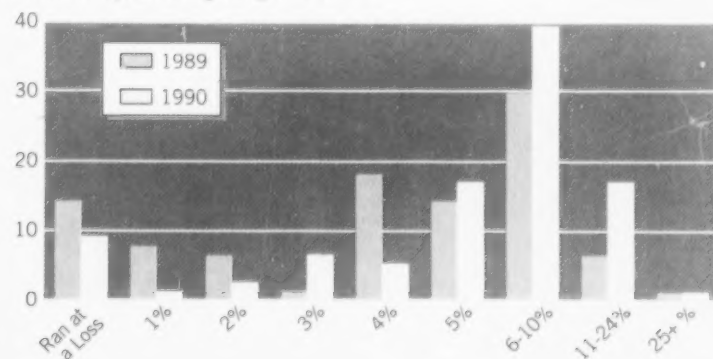


If Sales Decreased, How Large Was Decrease?

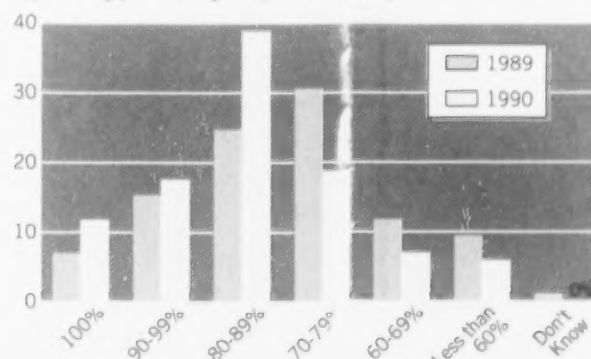


PROFITABILITY & CAPACITY

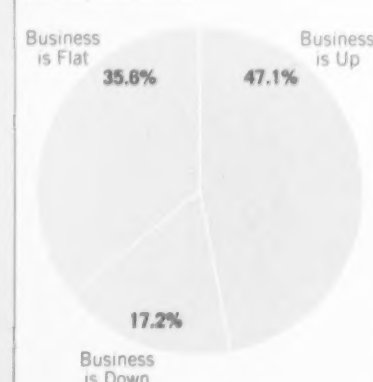
Profit as a percentage of gross sales



Operating percentage of plant capacity



Perception Index



Comments by Printers

- Changing very rapidly; some businesses are closing or converting to desktop operations.
- My area is experiencing excellent growth, both in population and business activity.
- Cautious optimism. Careful to control costs; delay in hiring.
- "Snow Birds" and their companies moving to the South. More business requirements.
- Print advertising increasing as economy grows.
- Rebound from the Houston "depression" provides for growth.